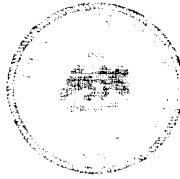


# Mississippi Public Service Commission

**NIELSEN COCHRAN**, CHAIRMAN  
JACKSON - FIRST DISTRICT

**MICHAEL CALLAHAN**, VICE-CHAIRMAN  
HATTIESBURG - SECOND DISTRICT

**BO ROBINSON**, COMMISSIONER  
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OFFICE OF MOTOR CARRIERS

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FCC MAIL ROOM

March 16, 2000

Magalie R. Salas, Esquire  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, N.W.  
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: CC Docket No. 96-45; State Certification

Dear Ms. Salas:

In accordance with C.F.R. Section 54.313, Mississippi hereby certifies BellSouth Telecommunications, Inc., as an eligible recipient of high cost funding from the Federal High Cost Fund. BellSouth has demonstrated that it will use the high-cost support for the provision, maintenance, and upgrading of facilities and services to promote universal service as defined in Section 254(e) of the Telecommunications Act of 1996. Attached is a copy of the Commission's order in docket 2000-AD-0040.

In compliance with FCC rule 54.313(b), a copy of this certification letter has been sent to the Administrator of the High-Cost Universal Service Support Mechanism.

Sincerely,

Nielsen Cochran, Chairman

Michael Callahan, Vice-Chairman

Bo Robinson, Commissioner

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Enclosure

cc: Director, Universal Services Program  
Bobby Waites, Executive Director, MPUS

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BEFORE THE  
MISSISSIPPI PUBLIC SERVICE COMMISSION

Docket No. 2000-AD-040

MISSISSIPPI PUBLIC SERVICE  
COMMISSION

In Re: CERTIFICATION OF THE  
CARRIERS RECEIVING  
FEDERAL UNIVERSAL  
SERVICE HIGH-COST  
SUPPORT

FINAL ORDER

COMES NOW, the Mississippi Public Service Commission ("Commission") and it appearing to the Commission, for good cause shown and after reviewing the Comments filed by interested parties pursuant to the Commission's Order entered on January 19, 2000, in this Cause, and this Commission being otherwise sufficiently advised, finds as follows:

1. This proceeding is to certify, pursuant to the FCC's Order<sup>1</sup>, that the use of federal universal service high-cost support in Mississippi is consistent with 47 U.S.C. 254(e). According to 47 U.S.C. 254(e), eligible telecommunications carriers must use universal service support "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." The FCC stated in the above-referenced Order that each state in which support is provided should take "the appropriate steps to account for the receipt of federal high-cost support and ensure that the federal support is being applied in a

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<sup>1</sup> Federal-State Joint Board on Universal Service Ninth Report and Order and Eighteenth Order on Reconsideration, CC Docket No. 96-45; FCC 99-306, released November 2, 1999 ("Universal Service Order"). See generally paragraphs 93-110.

manner consistent with Section 254.”<sup>2</sup> Although the FCC declined to determine specifically how the federal funds should be used, the FCC did note that a state may properly use the federal funding to adjust intrastate rates, to replace implicit intrastate universal service support to high-cost rural areas eroded through competition, and to require carriers to upgrade facilities in rural areas to ensure reasonable comparability to services provided in urban areas.<sup>3</sup>

2. Under the FCC’s Universal Service Order, BellSouth was deemed eligible to receive \$113.6M of Universal Service Support to be utilized in the State of Mississippi. Subsequently, on January 20, 2000, the FCC issued a Public Notice revising the amount of Universal Service Support to be utilized in a number of states, including Mississippi. The revised amount of funding for Mississippi was \$98.6M. Of this amount, \$91.8M represents new federal funding over and above the \$6.8M Mississippi would have received from the existing federal high-cost support mechanism for calendar year 2000. In order for Mississippi to receive this federal funding, this Commission must certify to the FCC that the funds will be used by BellSouth in Mississippi to promote universal service as defined in Section 254(e) of the Telecommunications Act of 1996 (“the Act”).

3. In the above referenced November 2, 1999 Universal Service Order, the FCC affirmed that carriers must utilize Universal Service Support in a manner consistent with Section 254(e) (Id., par 93). The FCC further concluded that “providing federal universal service high-cost support in the form of carrier

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<sup>2</sup> Id. at paragraph 95.

<sup>3</sup> Id. at paragraph 96.

revenue to be accounted for by states in their ratemaking process is an appropriate mechanism by which to ensure that non-rural carriers use high-cost support only for the provision, maintenance and upgrading of facilities and services for which the support is intended . . . " (par. 95). The FCC, however, declined to dictate to the States how this result should be accomplished.

5. Specifically, the FCC stated as follows:

[W]e are not attempting to direct the manner in which states incorporate federal high-cost support into their ratemaking processes, nor are we setting forth elaborate rules for compliance with section 254(e). Rather, we anticipate that states will take the appropriate steps to account for the receipt of federal high-cost support and ensure that the federal support is being applied in a manner consistent with section 254, and then certify to the Commission that federal high-cost support received by non-rural carriers in their states is being used appropriately. (Id.)

The FCC did, however, provide two illustrative (but not exhaustive) examples of acceptable ways in which these funds could be used to further the goals set out in § 254(e):

[A] state could [use the federal support to] adjust intrastate rates, or otherwise direct carriers to use the federal support to replace implicit intrastate universal service support to high-cost rural areas .

...  
A state could also require carriers to use the federal support to upgrade facilities in rural areas to ensure that services provided in those areas are reasonably comparable to services provided in urban areas of the state. (par. 96)

Finally, the FCC adopted rules (in § 54.313) to require states wishing to receive universal service support to file a certification with the Commission and the Universal Service Administrative Company ("USAC") stating that the funds will be used in a manner consistent with section 254(e).

4. Section 254(b) of the Act also provides guidance on universal service. It states that the FCC shall "base policies for the preservation and advancement of universal service" on certain, specifically-identified principles:

(1) Quality services should be available at just, reasonable and affordable rates.

(2) Access to advanced telecommunications and information services should be provided in all regions of the Nation.

(3) Consumers in all regions of the Nation including low-income consumers and those in rural, insular, and high-cost areas, should have access to telecommunications and information services . . . that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

5. In accordance with the FCC's order and with this Commission's Order of January 19, 2000, BellSouth submitted a plan that is consistent with the principles of universal service stated above. The plan outlined intrastate rate reductions and facility and service improvements that BellSouth proposes to undertake to utilize the additional \$91.8M in universal service support that will be received in year 2000. The proposed rate reductions would remove \$36.9M in implicit subsidy from BellSouth's current rates and replace it with explicit support from the federal universal service fund. BellSouth's proposed plan for \$54.9M in network infrastructure investments will improve facilities and service levels in targeted rural areas.

6. On February 22, 2000, Comments in response to BellSouth's plan were filed by three parties: AT&T Communications of the South Central States, Inc. ("AT&T"), Sprint Communications Company L.P. ("Sprint") and MCI WorldCom ("MCI").

7. In its Comments, AT&T largely supports BellSouth's proposal. The single aspect of BellSouth's proposal with which AT&T takes issue is the proposal to use a portion of the federal support to condition loops for digital subscriber line services such as ADSL. In its Reply Comments, however, BellSouth clarified that, to the extent it has already recovered the cost of line conditioning under its infrastructure development proposal, it would not assess additional line conditioning charges to any competitive local exchange carrier that requested a line that has been conditioned as part of BellSouth's plan in this proceeding. Accordingly, the Commission finds that BellSouth's response satisfies the concern raised by AT&T, and that the proposal is appropriate in this regard.

8. Both Sprint and MCI generally oppose BellSouth's plan. Their opposition falls essentially into two categories: 1) MCI and Sprint contend that more information must be provided to determine whether BellSouth's plans for infrastructure development are appropriate; 2) MCI and Sprint also contend that a greater amount (and perhaps all) of the available universal service funding should be utilized to reduce access charges. As to the first issue, based upon a review of BellSouth's proposal and Reply Comments, this Commission concludes that BellSouth has provided sufficient explanation of its plan to allow the

Commission to determine that it is compliant with the Act and that it should be certified.

9. As to the second point, this Commission finds that BellSouth's plan strikes an appropriate balance between utilizing the federal funds for rate reductions and for infrastructure development. The commenting parties argue that infrastructure development is not an appropriate use for federal funds. To the contrary, the FCC's Order specifically provides infrastructure development as an example of the type of activity that it is an appropriate use of universal service funds (Universal Service Order, ¶¶ 96).

10. Likewise, the argument of the commenters that infrastructure development only benefits BellSouth is not well taken. Improving facilities in rural areas makes it more likely that competitive local exchange carriers will provide service to customers in locations other than urban areas. To the extent that a CLEC chooses to serve customers in these high cost areas (either through resale or through UNEs), the infrastructure improvement will provide this CLEC with an immediate benefit in the form of the expansion of their ability to provide service to rural customers. Moreover, federal universal service support is portable and available on a per line basis to all eligible telecommunications carriers ("ETC"). Thus, to the extent that these carriers take the steps necessary to qualify as ETCs, they will be in a position to benefit even more directly by receiving the federal funding themselves in future years.

11. Moreover, the Act clearly contemplates that a principle goal of universal service is to ensure that quality service is available at affordable rates

to all consumers, both those in rural areas and in urban areas. In keeping with this goal, BellSouth has proposed upgrades to network infrastructure in rural and high-cost areas that promote the realization of parity between service to customers in rural areas and customers in urban areas. Thus, the customers in rural and high-cost areas that are intended to be the direct beneficiaries of universal service funding will, in fact, receive the intended benefit.

12. One aspect of the plan with which all commenters agree is the proposed reduction in access charges. While the Commission concludes that this represents an appropriate rate reduction, the Commission is also aware that this reduction must result in a corresponding reduction in toll rates if consumers are to benefit from this aspect of the plan. Accordingly, the Commission hereby rules that any carrier that receives a reduction in access rates as contemplated by BellSouth's proposal must pass this benefit on to Mississippi consumers by lowering intrastate long distance rates. The Commission will not, at this juncture, order that the reduced access charges be flowed through in any particular manner. The affected carriers, however, are instructed to develop plans for utilizing these access charge reductions in a way that will benefit the greatest possible number of consumers in the state.

13. Based on the foregoing, this Commission concludes that BellSouth's proposal for use of the federal universal service fund is consistent with the Act and the pertinent FCC Orders.

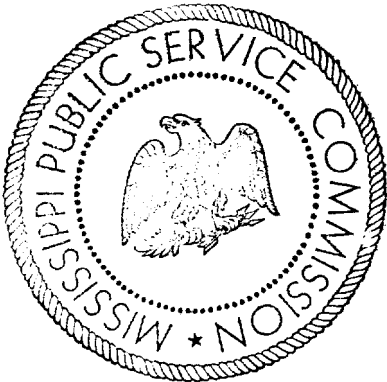


IT IS, THEREFORE, ORDERED that the Commission hereby certifies that BellSouth's proposed use of federal universal service high-cost support in Mississippi is consistent with 47 U.S.C. 254(e).

IT IS FURTHER ORDERED that carriers receiving the access charge reductions under BellSouth's plan must pass these reductions through to consumers by commensurate reductions in intrastate long distance rates.

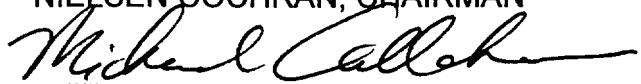
Chairman Nielsen Cochran voted Aye; Vice-Chairman Michael Callahan voted Aye; Commissioner Bo Robinson voted Aye.

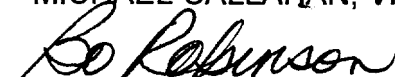
SO ORDERED on this the 14<sup>th</sup> day of MARCH, 2000.



MISSISSIPPI PUBLIC SERVICE COMMISSION

  
NIELSEN COCHRAN, CHAIRMAN

  
MICHAEL CALLAHAN, VICE CHAIRMAN

  
BO ROBINSON, COMMISSIONER

ATTEST: A TRUE COPY

  
BRIAN U. RAY  
Executive Secretary